

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SS-15 PM-04 SP-02 L-03 INR-07

AS-01 /043 W

----- 059886

P 181245Z NOV 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 4394

C O N F I D E N T I A L TEHRAN 11244

FOR NEA/IRN

E.O.11652: GDS

TAGS: PFOR, IR

SUBJ: CONTRIBUTION TO COUNTRY GUIDANCE PAPER FOR IRAN

REFS: (A) STATE 250026; B) TEHRAN 5761

1. SUMMARY: EMBASSY'S ANNUAL POLICY ASSESSMENT SUBMITTED LAST SPRING CONTINUES TO BE GENERALLY VALID OVERVIEW OF TRENDS IN OUR RELATIONS WITH IRAN. SOME ANTICIPATED PROBLEMS HAVE REACHED TROUBLESOME STAGE EARLIER THAN EXPECTED, AND THERE IS GROWING RANGE OF QUESTIONS ON WHICH US AND IRANIAN POLICIES DIVERGE. THESE DISAGREEMENTS HAVE ALREADY BECOME AN IRRITANT IN OUR RELATIONS AND UNLESS HANDLED SKILLFULLY COULD THREATEN OUR SPECIAL RELATIONSHIP. EMBASSY WORKLOAD CONTINUES TO INCREASE AT FASTER RATE THAN ANTICIPATED, AND ADDITIONAL PERSONNEL WILL BE NECESSARY TO MEET NEW REQUIREMENTS. END SUMMARY.

2. WE HAVE REVIEWED ANNUAL POLICY ASSESSMENT TO DETERMINE WHAT ADDITIONAL DEVELOPMENTS SHOULD BE BROUGHT TO DEPT'S ATTENTION TO HELP IN PREPARING COUNTRY GUIDANCE PAPER. IN GENERAL, OUR ASSESSMENT OF U.S. INTERESTS, OBJECTIVES AND GOALS REMAINS AS GIVEN IN REF B. PARAGRAPHS 3C AND 4E REGARDING ACCESS FOR AMERICAN GOODS AND SERVICES TO "RAPIDLY-GROWING" AND "BOMBING" IRANIAN MARKET MIGHT BE QUALIFIED TO TAKE ACCOUNT OF RECENT BUSINESS TURNDOWN AND GOI DECREES MAKING INVESTMENT CLIMATE LESS FAVORABLE (TEHRAN 11043). OVER LONGER TERM, CONFIDENTIAL

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HOWEVER, WE STILL BELIEVE PROSPECTS FOR EXPANDING MARKET HERE

ARE EXCELLENT.

3. SIMILARLY, OUR OUTLINE OF POTENTIAL PROBLEMS AND POLICY ISSUES REMAINS VALID, ALTHOUGH MANY PROBLEMS MENTIONED IN ASSESSMENT HAVE REACHED TROUBLESOME STAGE MORE RAPIDLY THAN ANTICIPATED AND NEW ONES HAVE ARISEN. IN ADDITION, DURING PAST YEAR IT HAS BECOME APPARENT THAT THERE IS GROWING NUMBER OF AREAS WHERE INTERESTS AND POLICY OF USG AND GOI DIVERGE, AND IN SOME FIELDS THEY SEEM TO BE ON COLLISION COURSE. CUMULATIVE EFFECT OF THESE PROBLEMS AND DIVERGENT VIEWS HAS BEEN TO LESSEN GOI'S INTEREST IN WORKING WITH US IN CERTAIN FIELDS AND TO INCREASE ITS SUSPICION OF OUR RELIABILITY AS A PARTNER AND ITS DOUBTS ABOUT EFFECTIVENESS OF USG IN DETERMINING AND CARRYING OUT ITS OWN POLICY. (SHAH'S RECENT INTERVIEW IN BUSINESS WEEK IS GOOD EXAMPLE OF CURRENT IRANIAN PIQUE WITH SEVERAL ASPECTS OF OUR POLICY.) IF THIS TREND CONTINUES, SPECIAL RELATIONSHIP WITH SHAH AND GOI WHICH HAS GROWN OVER PAST THIRTY YEARS AND WHICH HAS BEEN OF SUCH VALUE IN CARRYING OUT OUR OBJECTIVES IN THIS PART OF WORLD COULD BE THREATENED. COUNTRY GUIDANCE PAPER SHOULD TAKE NOTE OF THESE DISAGREEMENTS AND STRESS THAT DELAYS IN FORMULATION OR IMPLEMENTATION OF US POLICY IN AREAS OF INTEREST TO IRAN, HOWEVER UNDERSTANDABLE FROM US POINT OF VIEW, WILL INEVITABLY HAVE EFFECT ON ATMOSPHERE IN WHICH OUR RELATIONS WITH IRAN ARE CONDUCTED.

4. IN THIS CONNECTION. IT MAY BE USEFUL IN FOCUSING COUNTRY GUIDANCE PAPER ON THIS MATTER TO CALL ATTENTION TO SOME OF MAJOR CURRENT DISAGREEMENTS BETWEEN US. SOME INVOLVE REAL DIFFERENCES OF INTEREST WHICH OBVIOUSLY CANNOT BE COMPROMISED FOR SAKE OF HARMONIOUS RELATIONS, BUT THERE ARE OTHERS WHERE OUR MANNER AND PACE OF PROCEEDING HAVE NEEDLESSLY INCREASED OUR DIFFICULTIES. WE HAVE ALREADY REPORTED SHAH'S AND GOI'S SHOCK AND SENSE OF HAVING BEEN MISLED AS PRICES OF DEFENSE GOODS CONTINUE TO ESCALATE FAR BEYOND CONTRACT LEVELS (TEHRAN 10758). RESTRICTIONS ON TRANSFER OF US-SUPPLIED OR LICENSED MILITARY EQUIPMENT TO THIRD COUNTRIES WILL INCREASINGLY BE IRRITANT IN OUR RELATIONS AS IRAN'S EVOLVING REGIONAL ROLE SUBJECTS IT TO PRESSURE FROM FRIENDS TO TRANSFER SURPLUS MILITARY EQUIPMENT AS A FORM OF AID (TEHRAN 10660). IRANIANS SEE OUR REGULATIONS AS LIMITATION ON THEIR ABILITY TO PLAY REGIONAL ROLE TO WHICH THEY

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FEEL ENTITLED BY VIRTUE OF COUNTRY'S WEALTH, POWER AND LEVEL OF DEVELOPMENT. WHILE WE MUST, OF COURSE, INSIST THAT IRAN OBSERVE OUR RULES ON TRANSFERS, THERE IS ROOM FOR IMPROVEMENT IN WAY WE HAVE HANDLED SOME SUCH MATTERS IN PAST AND TRANSMITTED OUR DECISIONS TO GOI (E.G., EXCESS F-5'S FOR KENYA AND GREECE). CONCERNS EXPRESSED IN REFTEL PARAGRAPH 5D REGARDING IMPACT ON OUR OVERALL RELATIONS OF EXPANDING MILITARY AND CIVILIAN DEFENSE COMMUNITIES HAVE NOT BEEN REDUCED BY

TERRORIST ASSASSINATIONS OF MISSION PERSONNEL, BELL HELICOPTER DIFFICULTIES, INCIDENTS BETWEEN US MILITARY PERSONEL AND IRANIAN CIVILIANS, OR ADMISSION BY SOME DEFENSE CONTRACTORS THAT THEY ARE HAVING TO LOWER HIRING STANDARDS TO FILL REQUIRED POSITIONS. DELAYS IN MAKING AND CARRYING OUT POLICY DECISIONS REGARDING CERTAIN ELECTRONIC AND COMMUNICATIONS PROJECTS OF INTEREST TO IRANIANS CAN ALSO CONTRIBUTE TO FRAYING OF SPECIAL RELATIONSHIP. IN ADDITION, DIFFERENCES IN INTERNATIONAL FORA, ALTHOUGH OF A DIFFERENT CHARACTER AND SERIOUSNESS, HAVE ALREADY BEEN EXPERIENCED OR CAN BE EXPECTED. THESE INVOLVE SUCH MATTERS AS LAW OF THE SEA, U.N. RESOLUTIONS ON ZIONISM, PLO, AND TWO KOREAS, AND DIFFERENT APPROACHES TO A NEW WORLD ECONOMIC ORDER.

5. ON ECONOMIC SIDE, THERE CONTINUES TO BE BASIC DISAGREEMENT BETWEEN USG AND GOI ON SAFEGUARDS TO BE INCORPORATED IN NUCLEAR REACTOR SALES AGREEMENTS, PARTICULARLY WITH RESPECT TO FUEL REPROCESSING. GOI CONSIDERS SAFEGUARDS BEYOND THOSE IN NPT AS DEMEANING AND INCOMPATIBLE WITH IRANIAN SOVEREIGNTY AND IS BEGINNING TO LOOK TO OTHER COUNTRIES TO FULFILL MULTI-BILLION DOLLAR REACTOR PLANS ORIGINALLY ALLOTTED TO AMERICAN FIRMS. US FAILURE TO FORMULATE NATIONAL ENERGY POLICY MAY CAUSE A STALEMATE, WITHIN A YEAR OR TWO, OF SEVERAL LNG AND REFINERY PROJECTS INVOLVING US FIRMS (TEHRAN 10983). UNLESS US AND GOI DIFFERENCES REGARDING IRAN AIR'S DISCOUNT FARES CAN SOMEHOW BE RESOLVED, IRAN AIR MAY HAVE TO GIVE UP ITS RECENTLY INAUGURATED SERVICE TO NEW YORK WHICH WOULD DISTRESS GOI DEEPLY, MIGHT WELL PREJUDICE PANAM'S OPERATIONS HERE, AND HAVE UNFORESEEN CONSEQUENCES FOR FUTURE COOPERATION IN CIVIL AIR FIELD GENERALLY. VIGOROUS US OPPOSITION TO IRANIAN EFFORTS TO OBTAIN SPECIAL TRADING ARRANGEMENTS WITH EEC AND ILL-CONSIDERED US LEGISLATION DENYING IRAN GSP TREATMENT ON ERRONEOUS ASSUMPTION THAT IT HAD TAKEN PART IN OIL BOYCOTT ARE ALSO GREATLY RESENTED.

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6. PARAGRAPH 5E OF ASSESSMENT POINTED TO CRITICAL NEED FOR ADDITIONAL PERSONNEL, PARTICULARLY IN CONSULAR SECTION AND NEW CONSULATES, AND WE ARE GRATEFUL FOR HELP DEPT HAS GIVEN IN FILLING MORE THAN HALF OF OUR PERSONNEL REQUESTS. UNFORTUNATELY, DEMANDS HAVE CONTINUED TO BURGEON AT UNEXPECTED RATE AND PROSPECT IS FOR STILL FURTHER INCREASES. IN CONSULAR SECTION, FOR EXAMPLE, THERE HAS BEEN 75 PERCENT INCREASE IN WORKLOAD OF AMERICAN SERVICES, 65 PERCENT IN NIVS AND 40 PERCENT IN IV'S. IT WAS NECESSARY THIS PAST SUMMER TO OBTAIN OFFICER FROM ANOTHER POST ON THREE-MONTH TDY ASSIGNMENT AND USE PART-TIME SERVICES OF OFFICERS FROM OTHER SECTIONS OF EMBASSY TO HANDLE INCREASED VOLUME OF WORK. THIS PATCHWORK SOLUTION TO A GROWING PROBLEM LEADS TO LOW QUALITY SERVICE AND PUBLIC RELATIONS DIFFICULTIES AND SHOULD NOT BE ALLOWED TO CONTINUE.

7. WE FULLY RECOGNIZE PERSONNEL LIMITATIONS IMPOSED ON BUREAU AND DEPT BUT BELIEVE ADDITIONAL PERSONNEL ARE ESSENTIAL TO DO REQUIRED JOB HERE. IT MAY BE USEFUL IN PREPARING COUNTRY GUIDANCE PAPER TO HAVE SUMMARY OF ADDITIONAL POSITIONS PREVIOUSLY REQUESTED BUT NOT YET AUTHORIZED, OR UNANTICIPATED AT TIME OF LAST REQUEST. THESE ARE ONE OFFICER FOR ISFAHAN, ONE FOR SHIRAZ, AND CRU OFFICER, ONE PERMANENT AMERICAN SECRETARY FOR CONSULAR SECTION, THREE OFFICERS FOR CONSULAR SECTION KTWO OF THESE HAVE ALREADY BEEN REQUESTED FOR FY-77 AND NOW SHOULD BE AUTHORIZED FOR FY-76, PLUS ONE ADDITIONAL POSITION), AND EIGHT FSL POSITIONS. DETAILED JUSTIFICATION FOR ADDITIONAL CONSULAR PERSONNEL IS BEING SENT BY AIRGRAM. ONLY OTHER CHANGE FROM STAFFING SECTION OF REF B IS DELETION OF REQUEST FOR BUILDINGS MAINTENANCE/HOUSING OFFICER POSITION. TO SUPPORT NEW POSITIONS AN INCREASE IN PROGRAM FUNDS OF \$166,500 WILL BE REQUIRED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INTELLIGENCE COLLECTION, INTELLIGENCE ASSESSMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975TEHRAN11244  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 4  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 250026, 75 TEHRAN 5761  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 AUG 2003 by MartinML>; APPROVED <26 NOV 2003 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONTRIBUTION TO COUNTRY GUIDANCE PAPER FOR IRAN  
**TAGS:** PFOR, AINR, IR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006